



American Consulate General – Hamilton, Bermuda

2007 Investment Climate Report

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Background

1. American Consulate General Hamilton has prepared the following to provide background information on Bermuda, its economy and investment potential.
2. Summary: Bermuda is a small landmass consisting of approximately 21 square miles. This fact is never far from the conscious thought of the people who live on the islands. Bermudians are particularly sensitive to the concept of retaining the land of Bermuda for the citizens of Bermuda, ensuring that their citizens have preference with regard to employment, and that the assets of Bermuda inure to the benefit of Bermudians.
3. Bermuda is both a sophisticated and provincial island. It is sophisticated in that its regulatory and legal systems adhere to high ethical and current standards and have their history grounded in UK law. In addition, the country is a major industry center for the world reinsurance market. At the same time, with a Bermudian population of approximately 45,000 and an expatriate presence of roughly 15,000, Bermuda can be somewhat parochial. This manifests itself in all facets of life: social, political and business. Most Bermudians are either related, know one another or at a minimum know someone who knows another. Thus, the conditions for misunderstandings and conflicts of interest, both real and apparent, exist and are a part of the political landscape as well as day-to-day life. The labor force is highly unionized with labor relations adversarial and at times contentious, particularly in the public service sector and the hotel industry. End summary.

Openness to Foreign Investment

4. The Government of Bermuda (GOB) welcomes foreign investment, as evidenced by the number of international companies registered on the island. In 2006, there were 14,247 international businesses- on the register, an increase of 2.9% or 406 over 2005. Based on the 2005 employment survey, there were 4,428 local establishments operating in Bermuda. Of the international companies, 82 new insurance companies were incorporated in 2006 compared to 75 in 2005.
5. The incorporation of companies is governed by the Companies Amendment Act 2006. To be classified as a local company, a company must meet the three requirements of the 60/40 rule whereby Bermudians are 1) the beneficial owners of at least 60 percent of the shares in the company, 2) exercise at least 60 percent of the total voting rights in the company, and 3) make up at least 60 percent of the directors of the company. Local companies may do business with anyone in Bermuda, exempt companies cannot.
6. On the other hand, without a waiver, exempted companies can only do business outside of Bermuda (no Bermudian clients). They are also precluded from doing business

with other exempt companies, and may not own real property in Bermuda (with a few exceptions created by individual acts of the legislature). Exempt companies, as the name implies, are exempt from the 60/40 rule and in fact may be 100% owned by non-Bermudians. It should be noted that the term “exempt” has nothing to do with the concept of taxation, only ownership. Nor does the terminology imply that the companies are subject to any less supervision, regulatory oversight, or fiscal rules than are local companies.

7. Overseas and resident investors may form partnerships under the laws of Bermuda. An overseas partnership is one that is governed by non-Bermudian law. Exempt partnerships and overseas partnerships must maintain an office and place of business in Bermuda and must appoint and maintain resident representatives on the island. These companies may also have places of business in Bermuda, as well as any other jurisdictions they desire. Over the years, the procedures governing partnerships have come into question. The Consulate General has become aware of several occasions when local companies have hired foreigners to join them in a business and later dismissed them. Sometimes the foreigner has lost months of salary owed, his/her financial and/or intellectual property investment, and has on occasion had his/her work permit/permission to remain revoked. There has been a recent highly publicized case involving an expatriate where Bermudian courts have decided in favor of the expatriate.

8. The ownership distinction between local and exempt companies may be starting to narrow. Local companies wishing to be permitted to carry on business in Bermuda while owned more than 40 percent by non-Bermudians may apply on a case-by-case basis to the Minister of Finance for a license pursuant to exemption provisions under 114B of the Companies Act. Many hotels and telecommunications companies fall into this category. In recent years, the minister of finance removed the 60/40 ownership restrictions as they apply to three of the island’s four banks with conditions designed to prevent any foreign takeover of the bank. A factor contributing to the decision to grant those waivers may have been pressure from the Organization for Economic Cooperation and Development (OECD) to eliminate separate regulatory regimes for local and international companies. There is some indication that the insurance industry and financial services sector may also enjoy some liberalization in this regard in the future.

9. The attitude towards exempt companies, while welcoming, is anything but casual. Bermuda is very serious as to who it will permit to engage in business in its country, making the vetting process undertaken in incorporating a business both painstaking and deliberate. Because the island seeks to distance itself from offshore jurisdictions that are considered tax or money laundering havens, the Bermuda Monetary Authority (BMA) requires that a Personal Declaration Form (PD) be submitted for each proposed company owner with more than 5 percent of the company’s issued and authorized share. A company must also provide a detailed business plan and maintain a register of shareholders at their registered office. In this way, the BMA acts as the control valve for company incorporation. Contrary to what many believe, the tax system for both local and exempt companies is the same.

10. Historically, a large part of the management workforce has come from overseas. This fact has become a sensitive issue to those Bermudians seeking employment, as well as an exacerbating factor in labor disputes and has become a political football. With standards of qualification not necessarily objective (Bermudians generally go overseas for both higher education – there is only one community college on the island, and it offers a two-year diploma – and work experience, factors that contribute to making local residents less technically qualified, compared to the citizens of some other countries), there are instances where a company has been forced to hire a Bermudian apprentice in lieu of a qualified foreign national. The legal capacity for non-Bermudians to work here can be somewhat difficult to arrange although exceptions are made for many major companies. In 2001, Bermuda Immigration implemented a six year work permit rule which states that foreign workers may work in Bermuda for up to six years unless their employers could demonstrate that they are key employees whereupon they would be permitted to work in Bermuda for up to nine years. The Government of Bermuda's (GOB) objective is to encourage the training and eventual hiring of locals to fill senior management positions across the board. Thus, while limited work permits are issued to foreigners, there is a constant need on the part of corporations to prove that qualified Bermudians are unavailable to perform the job. (See section addressing labor for additional information).

Conversion and Transfer Policies

11. The US dollar is used and accepted in Bermuda side-by-side with the Bermuda dollar. Both currencies are freely interchangeable and transferable without restriction. Bermuda does have an exchange control act but it is outdated and has limited relevance to most individuals. In practice, consent is not required for Bermudians to hold foreign currency and assets. The regulations that exist are in place to ensure the maintenance of local ownership and to make sure that people coming in from other countries have been vetted and been found credible and not at variance with world standards governing financial flows.

12. To that end, the BMA performs inspections prior to granting specific exchange control permission for the issue and transfer of registered securities in Bermuda companies to persons deemed non-resident for exchange control purposes. Additionally, the BMA must approve the issuance and transfer of securities of local and exempt companies unless listed on a stock exchange.

Expropriation and Compensation

13. There is no history or allowance for expropriation without just compensation.

Dispute Settlement

14. With respect to international disputes, Bermuda enacted the Bermuda International Conciliation and Arbitration Act 1993, effective June 29, 1993. In doing so, it adopted an internationally recognized arbitration code, the UN Commission on International Trade Law (UNCITRAL) model law of arbitration. Bermuda became a party to the 1958 UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1980 ("The New York Convention"), with the result that arbitration awards from other countries including the United States are readily enforceable in Bermuda, and vice versa. It is the current unwritten policy of the Ministry of Immigration, Labour and Home Affairs that arbitrators and foreign counsel attending for the purposes of arbitration do not need work permits. The Department of Immigration does require advance notice of the presence of such individuals in the jurisdiction for the purpose of the arbitration.

15. A dispute in the 1990s involving the US-based McDonald Group and the Bermuda Telephone Company serves as an example of how Bermuda achieved resolution in one high-profile, lengthy case. The dispute focused on US investors owning 28 percent of the company's stock while controlling the board of directors, a violation of the island's 60/40 rule. In 1997, the dispute went to the Privy Council in the U.K. The matter was settled two years later to the satisfaction of all parties through a consent order that restructured the shareholdings.

16. A licensing dispute between the GOB and CableVision also landed in the courts. CableVision, seeking a 15-year renewal of its license, rejected the GOB's issuance of a one -year license (crafted to force improved service) and ceased to broadcast. The government obtained an injunction to prevent a shutdown of service, but CableVision took the matter to the Supreme Court, which overturned the injunction, stating that "It would be quite wrong for the courts to interfere. The parties must be free to negotiate their bargain free from interference by the courts. If this were not so, confidence in the courts would be eroded." The dispute was finally settled out of court with CableVision being granted an 11 year license.

Performance Requirements and Incentives

17. The questions relating to performance requirements and incentives are largely inapplicable to Bermuda, except as they relate to tourism. Resuscitation of the ailing tourism industry was the aim behind two recent legislative acts. The Hotel Concession Act, which was passed in 1991, provides relief from customs duty for materials used in hotel renovations. In 2007, the GOB followed with the expanded version of the (Temporary Customs Duty Relief) Bill 2002, which extends similar relief for restaurant renovation.

18. Because of the island's small size, the GOB does not normally solicit investment in infrastructure. One area where investment would be welcome, however, is in port development. Bermuda's new cruise ship policy states that an exception to the three to five year limit on cruise contracts would be considered if a company were willing to "contribute substantially" to the redevelopment of the island's port facilities and infrastructure.

19. Although not related to the GOB's tourism goals, the government used performance incentives of another kind to address other economic and social aims. The GOB a few years ago accepted the second-lowest bid from a construction firm to build a new secondary school, a move that was criticized even by party insiders. The government's controversial plan promised \$250,000 to the contractor in exchange for an agreement to hire and train Bermudian workers. This project has since run well over budget and remains a sore point for the GOB.

Right to Private Ownership and Establishment

20. Ownership of residential property is a function of wealth; commercial property ownership is a function of classification under the Companies Act. Pursuant to Section 114(b) of the act, as amended, local companies are authorized to own property. Exempt companies, for the most part, may not own property, although they may lease commercial land for up to 50 years and residential property for their employees for up to 21 years.

21. The residential market is characterized by a dearth of housing. Conscious of that shortage, the GOB has enacted a law which states that non-Bermudians can purchase homes only from other non-Bermudians. Additionally, only Bermudians can purchase homes from other Bermudians. The goal over time in separating the two pools of housing is that expatriate home ownership will decrease. Homes that can be sold to expatriates must have a minimum annual rental value (ARV) of \$153,000, thus further restricting expatriate purchases. The same policy applies to the purchase of condominiums which must have a minimum ARV of \$32,400. The ARV is not only the basis for taxation but also the basis for setting the threshold of value at which foreigners may purchase. As a practical matter, this limit protects approximately 95% of the island's homes from foreign purchase.

22. Although government intervention has long resulted in two distinct markets, the gap between the two has been narrowing. Scarcity in the local market is driven by strong demand from the international business community, not only for home purchases but also for rentals. The outcome is that rental premiums have raised the value of local homes and introduced the price competition that the country had hoped to avoid by limiting the ownership to locals.

23. The GOB has relatively few monopolies, among which are trash collection and ferry services. The government's postal service is in competition with private mail services;

public education rivals private education; the public bus service competes with taxis, local mini-bus services, and multiple-passenger airport buses; and the police service competes to a degree with private security services. While competition among telecommunications companies is keen, a single utility has a monopoly over the generation of electricity.

Protection of Property Rights

24. Bermuda's legal system follows the UK model, including the right of appeal to London's Privy Council. As an overseas territory of the United Kingdom, Bermuda is subject to the same treaties to which the UK is a party, including those concerning intellectual property rights. The island cannot enter into treaties separate and apart unless expressly authorized to do so by the UK.

Transparency/Accountability of the Regulatory System

25. According to its critics, the current government now of nine years durations, lacks transparency, a possible point of contention in the upcoming (must occur before the end of Summer 2008) general election. The government continues to have fractious relations with the media, which has ranged in the past from government officials refusing to return phone calls to the more recent gag order issued by the GOB regarding the Bermuda Housing Scandal. That case has been characterized by legal authorities as unethical rather than a criminal lapse. This dispute will be resolved by going before the U.K.'s Privy Council. Also, insider comments hint that high-level government officials make/revise decisions without involving the backbench and sometimes without consulting their own ministers.

26. Bermuda, which can be described as extensively regulated, has historically delegated regulatory authority to ministerial discretion. This situation continues to evolve, particularly on the financial regulatory side as the island seeks the approval of the international regulatory community. More and more rules are being issued and their administration delegated to the Bermuda Monetary Authority. Bermuda aspires to become known as the premier jurisdiction for regulatory leadership in financial flows resulting in a high-quality international reputation.

Efficient Capital Markets and Portfolio Investments

27. Bermuda's currency, the Bermuda Dollar, is backed one for one by the US Dollar. Overseeing this, Bermuda has a monetary authority (BMA) instead of a central bank. As there is no monetary policy, no lender of last resort, no deposit insurance and no implied

guaranty, liquidity is an important concern for the island's four banks. They hold significantly high quantities of liquid US Dollar assets on their balance sheets. In addition, institutional credit lines are normally arranged through US or UK institutions.

28. Bermuda's banks continue to be very liquid, with some 2/3 of their aggregate balance sheet consisting of inter-bank placements or holdings of high quality marketable securities. Loans and advances account for less than 30% of total assets. The banks are required to meet a minimum capital ratio of 10% at the consolidated level but, in practice, the aggregate ratio exceeded 18% at year end 2006. In other matters, the banks follow the Bank of England model. They are required to maintain separately capitalized subsidiaries in order to conduct their trust business.

29. Being a small island and having its economy so intertwined with the US has obviated the need for local restrictions. Bermuda does not have developed capital markets, as it is virtually part of the US and other overseas markets. Thus, credit availability is not totally dependent on local markets. Many companies and particularly the large ones maintain external banking relationships. Since Bermuda does not have a central bank and does not conduct a controlling monetary policy, it has no need to intervene in the markets.

30. The Bermuda Stock Exchange (BSX) was recognized by the US Securities and Exchange Commission as a "Designated Offshore Securities Market" in October 1996. Three years later it became a full member of the International Federation of Stock Exchanges. In 2005, the BSX was granted Designated Investment Exchange (DIE) status by the UK Financial Services Authority. The BMA provides oversight of the BSX and its trading activity. The BSX introduced an electronic clearing, settlement and registration system designated as the Bermuda Securities Depository (BSD), which is also under the supervision of the BMA. The BSD was designed to facilitate more efficient trade settlement for BSX-listed securities by allowing book entry settlement rather than paper based settlement.

31. Consistent with wider international trends, the improvement in market conditions continued in 2006 promoting an increase in trading volumes on the Bermuda Stock Exchange (BSX). Domestic trading volumes increased by 34% in 2006 compared to the prior year. During the year, domestic equity securities with an aggregate value of over \$121 million changed hands, and increased around 63% over 2005. International crossings recorded lower levels of business during the year, with a total of 53 million shares being transacted representing an aggregate value of \$1.5 billion, a result of development in other markets which diminished the interest for international transactions to be crossed on the BSX.

32. Finance Minister and Deputy Premier Paula Cox summarized the 2007 budget as follows: "Social dividends increase, capital expenditures decrease, we are in a good place economically, and the outlook for 2007 is positive". There will be increased costs to international business, including enhanced corporate registry fees, a taxation on high income earners, and doubling of the tax on currency conversion from Bermuda dollars to 50 basis points.

Government's Capital Expenditure Plan has decreased from \$220 million in 2006 to \$141 million in 2007, with new projects limited to \$41 million. While the Budget outlines expenditures for venture capital programs, satellite initiatives and a Fishing Apprenticeship Scheme, there is limited proposed intervention to address Bermuda's serious housing shortage. With the proposed reduced customs duties from 2007 to 2008 and the benefits of public-private partnership schemes, the Government has concluded that it is not necessary nor prudent to set aside the earlier planned level of funding for housing.

The revised estimate of total revenue for 2006/07 is \$856 million, which compared to the original estimate of \$835 million represents an increase of approximately 2.5%. The projected total revenue for 2007/08 is \$917 million, which compared to the revised estimate for 2006/07 of \$856 million represents an increase of approximately 7%. However the projected total revenue for 2007/08 is almost 10% higher than the original estimated figure of \$835 million for 2006/07. The Government's current spending is projected to increase by 7.6% to \$885 million in fiscal 2007/08.

The international business sector is expected to continue to expand, further solidifying its position as the largest contributor to the island's GDP (accounting for 21.9% of GDP in 2005, up significantly from 14.5% in 2001).

Political Violence

33. The U.S. State Department 2007 Background Notes state that there have been no recent incidents of political violence in Bermuda.

Corruption

34. Although there have been a number of incidents of public corruption, the most notable case to date has been the Bermuda Housing Scandal wherein several prominent politicians and businessmen were investigated. The current government tried to place a "gag order" on the local media regarding the incident and escalated the issue to a contretemps with the U.K. Governor. It is also commonly accepted that the narcotics importation business in Bermuda could not exist without the active participation of some public employees from police, customs, and the post office. There is also reputed to be some amount of lower-level public corruption on the island. The inter-relationships in this tiny country lead to inevitable conflicts of interest that are endemic to any small jurisdiction.

35. While there is always a risk of money laundering, there is no evidence that there is a significant problem in Bermuda- partly because in the 1940's the GOB instituted a strict

anti-money laundering law called “Know your Customer”. However, It is not inconceivable that businesses handling large amounts of money could find the opportunity to launder money, as in any large money centre.

36. Bermuda enacted the Proceeds of Crime Act and the Proceeds of Crime (Money Laundering) Regulations in 1998. The regulations apply money laundering controls to financial institutions such as banks, deposit companies, trust companies and credit unions. The list of regulated offences goes beyond laundering of drug-related moneys to include tax evasion, corruption, fraud, counterfeiting, stealing and forgery. One drawback of current law is that it does not provide measures to detect/monitor cross-border transportation of cash. However, if there are reasonable grounds for suspicion, cash being transported across borders may be seized. The GOB has recently passed important legislation which when enacted and implemented in 2008 will address a number of weaknesses in the AML (anti money laundering) legal framework. This legislation along with proposed amendments to the regulations in 2007 will extend the scope of AML regulation to gatekeepers such as accountants, lawyers and others.

37. Keen to rise above any perceived impropriety associated with offshore centers, Bermuda continues to update its regulatory framework to meet international standards, including those of the International Monetary Fund (IMF) and those espoused by the Financial Action Task Force (FATF) and the Organization for Economic Cooperation and Development (OECD). Additionally, Bermuda made a commitment in 2000 to the OECD to operate in a transparent and cooperative manner, to keep the island from being named on the OECD “hit list.”

38. The Bermuda Criminal Code makes provision for punishing corrupt practices in the area of investments, particularly for the offences of misleading statements and practices, market manipulation and insider dealing. In addition, Bermuda Stock Exchange (the "BSX") members are prohibited from engaging in insider dealing under BSX Regulations. Trading members are obliged to be fit and proper and comply with all by-laws, regulations, codes, decisions, orders, directions and other actions made or done on behalf of the BSX. This includes, but is not limited to, complying with regulations not to conduct acts of misconduct such as insider dealing, making material misstatements and providing false and/or misleading information. It should also be noted that regulated entities holding licenses under the Investment Business Act 2003 (the "Act") are required to conduct business in a prudent manner in accordance with a Code of Conduct published under the Act which, amongst other things, prohibits market manipulation.

Bilateral Investment Agreements

39. Bermuda contributes to International Monetary Fund (IMF) and international banking statistics. The island also has a bilateral taxation treaty with the US signed on 11 July 1986 entitled “Convention between the Government of the United Kingdom of Great Britain and Northern Ireland (on Behalf of the Government of Bermuda) and the

Government of the United States of America Relating to the Taxation of Insurance Enterprises and Mutual Assistance in Tax Matters.” The treaty, commonly referred to as US-Bermuda Tax Convention Act of 1986, was ratified by the US Senate in 1988 and limits US taxation of Bermuda-based insurance companies. Bermuda has been added to the category A list of signatories to the IOSCO MMOU (International Organization of Securities Commissions Multi-lateral Memorandum Of Understanding), which provides for mutual co-operation and the exchange of information among securities regulators).

40. In the act, the United States agreed to waive for eligible Bermudian insurance companies any income and excise taxes on insurance premium income derived from the United States. An “eligible” company was defined as one a) whose “predominant business activity is the issuing of insurance, reinsurance, or annuity contracts and the investing of insurance reserves and other capital incident to the carrying on of the insurance business,” and b) that does not operate as a permanent establishment in the US. The US and Bermuda agreed to provide mutual assistance in tax matters, including the exchange of confidential information. The provision was drafted principally to assist the United States enforce its tax laws. The degree of assistance depends on whether the offense was civil or criminal and when it occurred. As a quid pro quo, the treaty also authorized US tax deductions for persons who incur expenses while attending business conventions in Bermuda. The act further listed Bermuda as an authorized site for foreign sales corporations (FSC) which were authorized pursuant to the 1986 Tax Reduction Act. An FSC is a subsidiary of a US company that manufactures or provides US goods or services, either selling directly or via an agent. Earnings could ultimately accrue to its parent in the form of a tax exempt dividend, thereby enabling the US parent to supply goods and/or services at competitive prices. The FSC can arrange for the sale or supply of goods or services to foreign customers. It may sell either directly or arrange sales. Earnings may ultimately be returned to its parent in the form of a tax exempt dividend. It is via this exemption that benefits derive to the US parent, which is enabled to supply goods and/or services at a more competitive cost over its foreign trading rivals.

OPIC and Other Investment Insurance Programs

41. Bermuda investors do not enjoy the same kinds of protections as provided by other jurisdictions, and should exercise their own “due diligence.” There is no deposit protection for owners of mutual funds or trusts, nor is there any central fund to reimburse investors. The BMA does, however, maintain as public information a register of all licensed investment service providers. Moreover, investment managers must be licensed pursuant to the Investment Business Act of 1998. Prior to licensing, the investment service must provide proof of adequate professional indemnity insurance. In 2006, the GOB passed the Investment Funds Act which clearly outlines how public funds are regulated and defines the framework for non-public, institutionalized funds.

Labor

42. Labor troubles are a part of Bermuda's history, sometimes ebbing and sometimes surging. Worker unrest played a role in the decline of tourism, which in its heyday was the foundation for Bermuda's economy. With the election of the Progressive Labor Party (PLP) for the first time in 1998, many thought that labor problems would be a thing of the past. The PLP's honeymoon period was longer than that enjoyed by many new governments because its election was broadly supported by grassroots Bermudians. Although dissension was evident at times, there was a lessening of labor tensions, due in part to the passage of fair labor laws favored by most Bermudians. Labor laws enacted in 2001 include the landmark Employment Act 2000 which restricts expatriate work permits to a six year limit -or nine year maximum if their company can prove that they are "key employees". Bermudians are keen to enter the international business sector, where they hope to reap financial rewards that did not accrue to those in the hospitality sector. An aim of the new work permit legislation is training to facilitate the entry of Bermudians into higher echelons.

43. Bermuda continues to endure labor disputes; however, the number of disputes has decreased somewhat over recent years. In 2006, Bermuda taxi drivers organized to protest the installation of GPS systems in every cab, and the Bermuda Industrial Union Transport Division instigated "work stoppages" during contract negotiations. In 2007, the Bermuda Union of Teachers sought a payment settlement for a back-dated cost of living increase, not all of which was received. The possibility of a strike has not been ruled out at this time. In addition, dock workers are currently participating in a "work to rule" dispute.

44. Workers and managers alike are finding fault with the new Employment Act and white collar employees are joining the Bermuda Public Services Association in greater numbers to seek collective relief from overtime rules ensuing from the act. However, hotel workers and management renegotiated a three-year contract with little fanfare, a result of mutual recognition of tourism's woes.

Foreign Trade Zones/Free Ports

45. Bermuda has no free port, although retailers hoping to increase sales sometimes broach the idea.

Foreign Direct Investment Statistics

46. The strengthening trend in international markets in 2006 helped the investment sector achieve growth, with aggregate total assets of licensed investment providers (excluding banks and overseas entities) amounting to about \$3.2 billion at year-end 2006, up 7% over the prior year. The aggregate capital of the licensed sector grew to approximately \$900 million at the end of 2006 compared with \$830 million at the end of 2005. Data for 2006 showed that at the end of the year Bermuda's bank had aggregate cross-border claims of US\$12.0 billion (US\$13.5 billion in 2005) and total cross-border liabilities of US\$12.3 billions(US\$12.2 billion in 2005).

End comment

47. Bermuda continues to emerge from its colonial past. Although the now-governing Progressive Labor Party (PLP) has historically embraced a policy of complete independence from the United Kingdom, it has not yet campaigned on this issue. However, most political observers consider it just a matter of time before the GOB does pursue independence. Independence will have major financial and economic implications for the island and its people, as well as for the U.S. – the country's most important trading partner and nearest neighbor. The U.S. 1986 Tax Reduction Act would still offer some protection, though Bermuda would likely become a successor to any existing U.K. financial treaties. Since international business is the premier industry in Bermuda at this time, there will be a certain amount of due diligence owed to any major changes in this industry.

48. The island has two main political parties, with a third newly established and hoping to secure seats in the next election. The United Bermuda Party (UBP), ousted in 1998 after more than thirty years in government, is fighting the perception that it represents the island's elite white minority. Under new opposition leader Michael Dunkley, the UBP is actively attempting to expand its political base to more accurately represent the country's demographic, which is roughly 60% black and 40% white. In contrast, the governing progressive labor party (PLP) has no white Members of Parliament, although it appears that several white Bermudians will stand for the PLP in the next election, which must be called by 2008.

49. In the meantime, Bermuda faces challenges. Tourism is slowly picking up although hindered by the lack of hotel rooms available to tourists. Public education continues to rank behind that available in the private sector, and crime is on the increase. The effects of the work permit restrictions are being felt throughout the local economy and negatively impact third country nationals travel options. International business has become the island's economic base, but even it is not immune from global pressures,

such as concerns about money laundering, corporate inversions and the realities of economic downturns not just here, but globally.

50. Nevertheless, Bermuda is a modern nation that is recognized for its sophistication and high standards. The country has much to offer to prospective investors. End comment.

Web Resources

Bermuda Chamber of Commerce: <http://www.bermudacommerce.com/>

Bermuda Hotel Association: <http://www.experiencebermuda.com/>

Bermuda International Business Association www.biba.org

Bermuda Monetary Authority www.bma.bm

Bermuda On-line: <http://bermuda-online.org/>

Bermuda Small Business Development Corporation:
http://www.bsbdc.bm/m_smbus.html

Bermuda Stock Exchange: www.bsx.com

Department of Statistics: <http://www.statistics.gov.bm>

Government of Bermuda: www.gov.bm

The Royal Gazette: www.theroyalgazette.com